

HOUSE BILL REPORT

E2SHB 2393

As Passed House:

January 30, 2006

Title: An act relating to funding for energy freedom projects.

Brief Description: Funding energy freedom projects.

Sponsors: By House Committee on Capital Budget (originally sponsored by Representatives Dunshee, Jarrett, Ormsby, Cox, Ericks, Newhouse, Kilmer, Chase, McCoy, Morrell, Moeller, Conway, P. Sullivan, Walsh, Springer, Buri, Haler, Wallace, Grant, Dickerson, Morris, B. Sullivan, Simpson, Upthegrove, Sells and Green).

Brief History:

Committee Activity:

Technology, Energy & Communications: 1/12/06, 1/13/06 [DPS];

Capital Budget: 1/19/06 [DP2S(w/o sub TEC)].

Floor Activity:

Passed House: 1/30/06, 89-7.

Brief Summary of Engrossed Second Substitute Bill

- Amends the 2005-07 Capital Budget to include a new Energy Freedom Program within the Department of Community, Trade and Economic Development.
- Appropriates \$9 million for low-interest loans to four political subdivisions for the development of biofuel oilseed crushers, supporting infrastructure, and facilities.
- Provides legislative intent on the development of a Washington biodiesel industry based on Washington grown oilseed.

HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by Representatives Morris, Chair; Kilmer, Vice Chair; Haler, Assistant Ranking Minority Member; Ericks, Hankins, Hudgins, Nixon, P. Sullivan, Sump, Takko and Wallace.

Staff: Kara Durbin (786-7133).

HOUSE COMMITTEE ON CAPITAL BUDGET

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Technology, Energy & Communications. Signed by 25 members: Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, Ericks, Ericksen, Flannigan, Green, Hasegawa, Kretz, Kristiansen, Lantz, McCune, Moeller, Morrell, Newhouse, Roach, Schual-Berke, Serben, Springer, Strow and Upthegrove.

Staff: Susan Howson (786-7142).

Background:

Biodiesel is a non-petroleum diesel fuel produced from vegetable or animal fats. It is commonly produced from oilseed plants such as soybean, mustard, rapeseed, or canola oil, or from recycled vegetable oils. It can be blended at any percentage with petroleum diesel or used as a pure product (neat diesel). The most common blend rate is 20 percent biodiesel, 80 percent petroleum diesel.

Establishing a large-scale oilseed industry in the state will likely require crop production, oilseed crushing facilities, and processing plants. In Washington, potential crops for oilseed production include mustard, rapeseed, and canola. In order to convert an oilseed into vegetable oil, a crusher is used to crush the seed and extract the oil. After the oil is extracted, a processing facility is needed to mix, refine, and blend the oil before it can be ready for use as a diesel fuel.

Summary of Engrossed Second Substitute Bill:

The Energy Freedom Program is created within the Department of Community, Trade, and Economic Development (DCTED). An appropriation of \$9 million from the State Taxable Building Construction Account is made for low-interest loans to four political subdivisions for the development of biofuel oilseed crushers, supporting infrastructure, and facilities. The political subdivision may negotiate appropriate agreements with the bioenergy industry for use of the equipment and facilities.

Loan disbursements will be made on a reimbursement basis only. Bioenergy industry partners are required to provide a 50 percent match to the project appropriations. All other project funds must be disbursed prior to energy freedom loans, except where required on a matching basis by other federal or state programs. The DCTED may defer loan repayment for up to twenty-four months or until the projects start to receive revenue from operations, whichever is sooner. The DCTED may require repayment of loans if the political subdivision fails to make reasonable progress toward project completion, or if project partners have made misrepresentations in any of the information furnished to the DCTED or the Legislature. In addition, prevailing wage applies to the renewable energy projects funded in whole or in part by the appropriation in this Act. The Legislature intends to provide loans for the development of a Washington biodiesel industry based on Washington grown oilseed. The political subdivision must: (1) develop a plan for outreach to local growers and an estimate of when maximum Washington oilseed-based production will be reached; (2) develop a goal to return a

portion of the biofuel to local oilseed producers; and (3) report this information to the DCTED by December 1, 2006. The DCTED must report on the implementation of this program to the appropriate committees of the Legislature by January 1, 2007. The Energy Freedom Account (Account) is created in the State Treasury. Funds from the account may only be spent after appropriation. Expenditures from the Account may be used only for loans and grants to political subdivisions for renewable energy and biofuel development projects and activities. Future loan repayments from the Energy Freedom Program must be deposited into the Account.

Appropriation: The sum of \$9 million from the State Taxable Building Construction Account is appropriated to the DCTED.

Fiscal Note: Requested on January 19, 2006.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Testimony For: (Technology, Energy & Communications) (In support of substitute) This bill will spur economic development in this state with local, in-state feedstock production. A biodiesel industry has the potential to bring in billions of dollars for the state. The farm economy in the state is hurting, partially due to the fact that the price of commodities has been static for decades. The east side of the state is suffering. We hope this committee will not rush into making bad law. State assistance is requested to fund a biodiesel crusher and processor while this industry is still in the infancy stage. Ninety percent of the infrastructure is in place. The storage capacity for the grain already exists. The transportation infrastructure is in place. Our farmers have the marketing expertise to market the by-product. It is very important that the state not just become an importer of biodiesel, but that it has the capacity to produce the biodiesel in state.

(With concerns on substitute) These are great efforts, but this bill could have a detrimental impact on the military jobs in the state. The potential cost of closing additional bases is huge. While the sense of urgency no longer exists, the state still needs to support military readiness. The state needs to protect long-term stability of the bases on Whidbey Island.

Testimony For: (Capital Budget) None.

Testimony Against: (Technology, Energy & Communications) None.

Testimony Against: (Capital Budget) None.

Persons Testifying: (Technology, Energy & Communications) (In support of substitute) Representative Morris, prime sponsor; Jim Armstrong, Spokane County Conservation District; Mike Conklin, Palouse Bio LLC; and John Stuhlmiller, Washington Farm Bureau.

(With concerns on substitute) Patty Cohen, Mayor of Oak Harbor.

Persons Testifying: (Capital Budget) None.

Persons Signed In To Testify But Not Testifying: (Technology, Energy & Communications) None.

Persons Signed In To Testify But Not Testifying: (Capital Budget) None.